

**ADVOCAT INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands)

	<b>March 31, 2009</b>	<b>December 31, 2008</b>
	(Unaudited)	
<b>ASSETS:</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 8,420	\$ 7,598
Receivables, net	24,553	23,503
Deferred income taxes	3,967	3,967
Other current assets	5,541	3,811
Total current assets	42,481	38,879
Property and equipment, net	39,926	37,456
Deferred income taxes	13,693	13,899
Note receivable, net	3,460	3,486
Acquired leasehold interest, net	10,052	10,149
Other assets, net	2,957	3,040
<b>TOTAL ASSETS</b>	<b>\$ 112,569</b>	<b>\$ 106,909</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY:</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt	\$ 2,459	\$ 2,238
Trade accounts payable	5,384	4,600
Accrued expenses:		
Payroll and employee benefits	11,748	9,545
Current portion of self-insurance reserves	7,864	6,469
Other current liabilities	4,513	5,142
Total current liabilities	31,968	27,994
<b>Noncurrent Liabilities</b>		
Long-term debt, less current portion	29,398	30,172
Self-insurance reserves, less current portion	9,774	10,212
Other noncurrent liabilities	15,833	13,089
Total noncurrent liabilities	55,005	53,473
<b>PREFERRED STOCK</b>	7,466	7,891
<b>SHAREHOLDERS' EQUITY</b>	18,130	17,551
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 112,569</b>	<b>\$ 106,909</b>

**ADVOCAT INC.**  
**CONSOLIDATED INCOME STATEMENTS**

(Unaudited)

(In thousands, except per share data)

	For the Three Months Ended March 31,	
	2009	2008
<b>PATIENT REVENUES, NET</b>	<b>\$ 73,758</b>	<b>\$ 71,466</b>
<b>EXPENSES:</b>		
Operating	58,230	55,536
Lease	5,776	5,704
Professional liability	3,242	(1,043)
General and administrative	4,573	4,559
Depreciation and amortization	1,409	1,242
	<b>73,230</b>	<b>65,998</b>
<b>OPERATING INCOME</b>	<b>528</b>	<b>5,468</b>
<b>OTHER INCOME (EXPENSE):</b>		
Foreign currency transaction loss	(85)	(229)
Other income	549	-
Interest income	75	160
Interest expense	(482)	(831)
	<b>57</b>	<b>(900)</b>
<b>INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>	<b>585</b>	<b>4,568</b>
<b>PROVISION FOR INCOME TAXES</b>	<b>(222)</b>	<b>(1,467)</b>
<b>NET INCOME FROM CONTINUING OPERATIONS</b>	<b>363</b>	<b>3,101</b>
<b>DISCONTINUED OPERATIONS</b>	<b>-</b>	<b>(12)</b>
<b>NET INCOME</b>	<b>363</b>	<b>3,089</b>
<b>PREFERRED STOCK DIVIDENDS</b>	<b>(86)</b>	<b>(86)</b>
<b>NET INCOME FOR COMMON STOCK</b>	<b>\$ 277</b>	<b>\$ 3,003</b>
<b>NET INCOME PER COMMON SHARE:</b>		
<b>Per common share – basic</b>		
Continuing operations	\$ 0.05	\$ 0.52
Discontinued operations	-	-
	<b>\$ 0.05</b>	<b>\$ 0.52</b>
<b>Per common share – diluted</b>		
Continuing operations	\$ 0.05	\$ 0.50
Discontinued operations	-	-
	<b>\$ 0.05</b>	<b>\$ 0.50</b>
<b>WEIGHTED AVERAGE COMMON SHARES:</b>		
Basic	<b>5,672</b>	<b>5,754</b>
Diluted	<b>5,730</b>	<b>6,017</b>

**ADVOCAT INC.**  
**FUNDS PROVIDED BY OPERATIONS**  
(Unaudited)  
(In thousands)

	<b>Three Months Ended</b>		
	<b>March 31,</b>	<b>December 31,</b>	
	<b>2009</b>	<b>2008</b>	<b>2008</b>
<b>NET INCOME</b>	<b>\$ 363</b>	<b>\$ 3,089</b>	<b>\$ 1,286</b>
Loss from discontinued operations	–	(12)	–
Net income from continuing operations	<b>363</b>	3,101	1,286
Adjustments to reconcile net income from continuing operations to funds provided by operations:			
Depreciation and amortization	<b>1,409</b>	1,242	1,392
Provision for doubtful accounts	<b>804</b>	556	659
Deferred income tax provision (benefit)	<b>206</b>	(198)	557
Provision (benefit) for self-insured professional liability, net of cash payments	<b>1,017</b>	(1,413)	(2,081)
Stock-based compensation	<b>224</b>	178	222
Amortization of deferred balances	<b>95</b>	129	91
Provision for leases in excess of cash payments	<b>328</b>	466	340
Noncash gain on settlement of contingent liability	<b>(549)</b>	–	–
Other	<b>61</b>	196	687
<b>FUNDS PROVIDED BY OPERATIONS</b>	<b>\$ 3,958</b>	<b>\$ 4,257</b>	<b>\$ 3,153</b>
<b>Reconciliation of funds provided by operations to cash flow from operating activities:</b>			
Funds provided by operations	<b>\$ 3,958</b>	\$ 4,257	\$ 3,153
Changes in other assets and liabilities affecting operating activities:			
Receivables, net	<b>(1,903)</b>	(323)	(759)
Prepaid expenses and other assets	<b>(866)</b>	328	343
Trade accounts payable and accrued expenses	<b>1,998</b>	(1,765)	(2,133)
Net cash provided by operating activities of continuing operations	<b>\$ 3,187</b>	<b>\$ 2,497</b>	<b>\$ 604</b>

Advocat provides financial measures using accounting principles generally accepted in the United States (GAAP) and using adjustments to GAAP (non-GAAP). These non-GAAP measures are not measurements under GAAP. These measurements should be considered in addition to, but not as a substitute for, the information contained in our financial statements prepared in accordance with GAAP. Funds Provided by Operations is defined as cash flow from operating activities before changes in other assets and liabilities affecting operating activities. Management believes that Funds Provided by Operations is an important measurement of the Company's performance because it eliminates the effect of actuarial assumptions on our professional liability reserves, includes the cash effect of professional liability payments, and does not include the effects of deferred tax benefit and other non-cash charges. Since the definition of Funds Provided by Operations may vary among companies and industries, it should not be used as a measure of performance among companies.

**ADVOCAT INC.**  
**SELECTED OPERATING STATISTICS**  
**MARCH 31, 2009**  
(Unaudited)

For the Three Months Ended March 31, 2009

Region	As of March 31, 2009		Skilled Nursing Weighted Average Daily Census	Occupancy (Note 1)		Medicare Utilization	2009 Q1 Revenue (\$ in millions) (Note 2)	Medicare	Medicaid
	Licensed Beds	Available Beds		Licensed Beds	Available Beds			Room and Board Revenue PPD 2008 (Note 3)	Room and Board Revenue PPD 2008 (Note 3)
Alabama	711	704	609	85.6%	86.5%	14.8%	\$ 11.4	\$411.82	\$162.31
Arkansas	1,311	1,165	923	70.4%	79.3%	14.9%	14.8	370.44	138.13
Florida	502	462	402	80.1%	87.0%	11.4%	7.1	417.99	151.84
Kentucky (Note 4)	775	742	664	85.7%	89.5%	11.5%	12.7	426.11	170.91
Tennessee	617	586	489	79.2%	83.3%	17.3%	8.6	387.10	137.07
Texas	<u>1,857</u>	<u>1,631</u>	<u>1,293</u>	<u>69.6%</u>	<u>79.3%</u>	<u>11.9%</u>	<u>18.8</u>	<u>408.63</u>	<u>117.93</u>
Total	<u>5,773</u>	<u>5,290</u>	<u>4,380</u>	<u>75.9%</u>	<u>82.8%</u>	<u>13.4%</u>	<u>\$73.4</u>	<u>\$400.08</u>	<u>\$142.54</u>

Note 1: The number of "Licensed beds" is based on the licensed capacity of the facility. The number of "Available Beds" represents "licensed beds" less beds removed from service. "Available beds" is subject to change based upon the needs of the facilities, including configuration of patient rooms and offices, status of beds (private, semi-private, ward, etc.) and renovations.

Note 2: Total revenue for regions excludes approximately \$0.4 million of ancillary services and other revenue for the three month period ended March 31, 2009.

Note 3: These Medicare and Medicaid revenue rates include room and board revenues but do not include any ancillary revenues related to these patients.

Note 4: The Kentucky region includes nursing centers in Kentucky, West Virginia and Ohio.

**ADVOCAT INC.**  
**SELECTED OPERATING STATISTICS OF RENOVATED FACILITIES**  
**MARCH 31, 2009**  
(Unaudited)

<b>Renovation – Completion Date</b>	<b>Occupancy<sup>(1)</sup></b>		<b>Medicare Average Daily Census</b>	
	<b>Q1 2009</b>	<b>LTM<sup>(2)</sup> Prior</b>	<b>Q1 2009</b>	<b>LTM<sup>(2)</sup> Prior</b>
1 <sup>st</sup> renovation – January 2006	86.5%	64.9%	12.4	8.1
2 <sup>nd</sup> renovation – July 2006	74.6%	71.2%	12.5	12.3
3 <sup>rd</sup> renovation – August 2006	65.2%	45.1%	10.1	5.3
4 <sup>th</sup> renovation – October 2006	81.7%	71.9%	8.1	8.6
5 <sup>th</sup> renovation – February 2007	63.4%	56.2%	10.6	8.0
6 <sup>th</sup> renovation – April 2007	47.6%	47.5%	11.1	12.7
7 <sup>th</sup> renovation – July 2007	82.9%	85.0%	13.9	17.4
8 <sup>th</sup> renovation – January 2008	63.5%	50.9%	12.6	8.9
9 <sup>th</sup> renovation – October 2008	84.6%	83.0%	15.6	17.2
10 <sup>th</sup> renovation – November 2008	<u>86.5%</u>	<u>80.8%</u>	<u>16.5</u>	<u>12.2</u>
Total	<u>73.9%</u>	<u>67.0%</u>	<u>123.4</u>	<u>110.7</u>

<sup>(1)</sup> Occupancy based on licensed beds.

<sup>(2)</sup> Last Twelve Months prior to commencement of construction.

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